

Message Text

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ACTION NEA-10

INFO OCT-01 EA-12 ISO-00 EB-08 TRSE-00 XMB-04 OMB-01
DOE-11 SOE-02 /049 W
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R 280830Z FEB 78
FM AMEMBASSY MANAMA
TO SECSTATE WASHDC 5861
INFO USDOC WASHDC
AMEMBASSY ABU DHABI
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY MUSCAT
AMEMBASSY TOKYO

UNCLAS MANAMA 0511

E.O. 11652: N/A
TAGS: EIND ENRG BA
SUBJECT: JAPAN GAS WIN BAHRAIN ASSOCIATED
GASHCOLLECTION PROJECT

1. THE BAHRAIN NATIONAL OIL COMPANY (BANOCO) HAS AWARDED TO JAPAN GAS THE CONTRACT FOR THE \$90 MILLION PROJECT TO COLLECT ASSOCIATED GAS FROM BAHRAINS OIL FIELDS AND PRODUCE PROPANE, BUTANE AND NAPHTHA FOR EXPORT. THE JAPANESE BID WAS \$72 MILLION WITH LAND RECLAMATION AND OTHER CONSTRUCTION WORK TAKING UP THE REMAINDER OF THE ESTIMATED COST. ABOUT 100 MILLION CUBIC FEET PER DAY OF NATURAL GAS IS NOW FLARED OR VENTED FROM BAHRAIN'S OIL FIELDS.

2. FINANCE FOR THE GAS COLLECTION AND TREATMENT PROJECT WAS PROMISED AT A MEETING IN BAHRAIN IN MID-FEBRUARY OF THE NATIONAL DIRECTORS OF THE ARAB PETROLEUM INVESTMENT CORP (APICORP) WHICH IS SPONSORED BY OAPEC. APICORP WILL
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ASSIST BANOCO IN ARRANGING A PACKAGE OF CONCESSIONAL FINANCING FROM OAPEC AND COMMERCIAL FINANCING. APICORP ITSELF WILL TAKE A 12.5 PER CENT SHAREHOLDING IN A BANOCO SUBSIDIARY TO BE ESTABLISHED TO MANAGE THE PROJECT.

3. THE MANAGING DIRECTOR OF BANOCO INFORMED EMBOFF FEB 27 THAT FINAL BIDDING WAS NARROWED TO A SIX-FIRM SHORTLIST

WHICH INCLUDED JAPAN GAS, AN ITALIAN FIRM AND FOUR AMERICAN BIDDERS. THE JAPAN GAS BID WAS NOT ONLY THE APPARENT LOWEST BUT ALSO THE ONLY FIRM PRICE BID WITH ALL OTHERS ON A COST PLUS BASIS. OTHER FIRMS ON THE SHORTLIST WERE OFFERED THE OPPORTUNITY TO CONVERT THEIR BIDS TO A FIRM PRICE BUT DECLINED.

4. SENIOR OFFICIALS OF BAHRAIN PETROLEUM CO (BAPCO) TOLD US THAT ONE OF THE REASONS AMERICAN BIDDERS FELT COST-PLUS WAS ONLY BASIS ON WHICH THEY COULD BID WAS CONTINUING UNCERTAINTY OVER ULTIMATE IMPACT ON THEIR COSTS OF TAX REFORM ACT OF 1976.
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Message Attributes

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Decaption Date: 01 jan 1960
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Disposition Reason:
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